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ABSTRACT

A simplified trade finance method particularly for international trade in goods or services, preferably employs two, novel, modified bills of exchange which are mutually extinguishable. A first bill of exchange (1 o E), which can be a prerelease payment draft, is event-actuated and is executed by a buyer (B), and returned to seller (S) prior to release of the traded product by seller (S). The first bill of exchange (1 o E) is dormant and non-negotiable until activated by an event agreeable to buyer (B), for example, release of the traded product. After the event the first bill of exchange (1 o E) becomes a negotiable instrument. Buyer (B) is thus protected against seller (S) delaying or failing to ship the traded product after having received a payment instrument from buyer B while the seller now has a negotiable payment instrument. A pro-forma invoice (PFI) can be used to define the transaction details agreement terms such as removal of disputes from the payment cycle. A second bill of exchange (2 o E) , mutually extinguishable with the first bill of exchange (1 o E) can be employed to facilitate provision of credit by the buyer's bank (BB), avoiding need to utilize seller (S)'s credit resources. Credit enhancement can be provided by substituting a banker's acceptance for the first or second bills of exchange, or both. The substituted bill of exchange can be used by the bank or other acceptance providing financial institution to obtain payment upon maturity by direct debit of the buyer's account.